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# Reports and Testimony: August 1993

## Highlights

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### IRS and Customs Audits

*Financial audits of the Internal Revenue Service and the Customs Service reveal serious problems, including unauthorized browsing of taxpayer records by IRS employees and opportunities for seized drugs, weapons, and currency to be stolen or misappropriated at Customs. Page 14.*

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### Medicaid Drug Fraud

*Investigations of Medicaid prescription drug fraud disclosed an organized network of collusion among physicians, patients, pharmacists, and other middlemen, many of who transferred money overseas through the notorious Bank of Credit and Commerce International. Page 15.*

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### Department of Energy

*The management challenges facing the Department of Energy are so significant that fundamental changes will come slowly; strong leadership is needed to sustain the momentum created by the progress already achieved and to build an effective management structure for the future. Page 5.*

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# Reports and Testimony: August 1993

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## Budget and Spending

### **Federal Budget: Choosing Public Investment Programs**

GAO/AIMD-93-25, July 23 (32 pages).

Although there is general agreement that more investment, including public investment in cases in which the market fails to deliver desired goods and services, would enhance the nation's future economic growth, disagreement persists about the federal role in raising national investment levels. Should that role be limited to cutting the deficit, thereby increasing the capital available for private investment, or should the government take a direct approach and increase its own investment spending? This report (1) identifies key questions that must be answered when choosing and implementing public investment programs and (2) discusses the application of these questions to public investment opportunities, including examples of how they can be applied. It suggests a way to think about investment that can ultimately yield higher living standards for the American people. In developing national budget priorities, decisionmakers can also use this report to identify programs that—whatever their other merits—are unlikely to boost private sector output and economic growth.

### **Impoundments: Status of HUD, Justice, and Transportation Funds Proposed for Rescission**

GAO/OGC-93-10, Aug. 18 (two pages).

This letter discusses the status of funds proposed for rescission in the President's sixth special impoundment message. The funds involve programs at the Departments of Housing and Urban Development, Justice, and Transportation. The Office of Management and Budget reports that the funds proposed for rescission were not withheld from obligation. After receiving a rescission proposal, Congress has a 45-day period of continuous congressional session in which to act on rescission bills. Otherwise, the funds proposed for rescission must be made available for obligation. For the rescission proposal submitted in the sixth special message, the 45-day period ended on July 31, 1993, without Congress having passed a bill for two of the proposals.

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## Business, Industry, and Consumers

### **Competitiveness Issues: The Business Environment in the United States, Japan, and Germany**

GAO/GGD-93-124, Aug. 9 (136 pages).

In recent years, major U.S. industries, such as the automobile and steel industries, have lost significant market shares to foreign firms both at home and abroad. Concerns about the competitiveness of the U.S. economy have grown. This report examines the government policies, corporate structures, and financial and operating business practices in the United States and two of its major competitors, Japan and Germany, that explain each nation's competitive advantages and disadvantages.

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## Education

### **School Age Demographics: Recent Trends Pose New Educational Challenges**

GAO/HRD-93-105BR, Aug. 5 (91 pages).

GAO found that the school-age population—children age five to 17—declined by 2.3 million during the 1980s. But during this period, the number of poor school-age children increased and became more racially and ethnically diverse; the numbers of poor Hispanic and Asian children grew at the fastest rates. Between 1980 and 1990, the poor school-age population grew and became more concentrated in the West and the Southwest, although significant numbers of school-age poor remain in other areas, the South especially. The poor school-age population also increased and became more concentrated in the nation's largest cities. With no changes in the chapter 1 formula for allocating funds to educate low-achieving children in high poverty areas, these patterns will substantially affect the distribution of money to states and counties. With the shift to 1990 census data in the chapter 1 allocation formula, many western and southwestern states will gain funds while other areas, especially those with very high poverty concentrations, are likely to lose funds. Other trends GAO identified have consequences for federal education programs, like those funded under the Bilingual Education Act, that serve other specially targeted child populations.

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**Vocational Education:  
Status in 2-Year Colleges in 1990-91 and Early Signs of Change**

GAO/HRD-93-89, Aug. 16 (68 pages).

The Carl D. Perkins Vocational and Applied Technology Education Act Amendments of 1990 seek to improve the overall quality of vocational education and ensure that all students, including targeted groups, such as the disabled, have access to vocational education programs. Although the Perkins Act provides only about 10 percent of vocational education funding nationwide, many vocational education experts view it as a driving force in setting national vocational education priorities. The law requires GAO to undertake two four-year studies—one of secondary schools and one of postsecondary schools—to identify changes that have taken place in vocational education programs since the amendments took effect. The reporting deadline is July 1995. This interim report provides preliminary information on the status of postsecondary vocational programs in 1990-91 and changes reported in the first year under the amendments.

**Vocational Rehabilitation:  
Evidence for Federal Program's Effectiveness Is Mixed**

GAO/PEMD-93-19, Aug. 27 (104 pages).

The state-federal vocational rehabilitation program run by the Department of Education helps disabled persons become employed, become more independent, and be integrated into the community. This report discusses whom the program is serving and what the results are. GAO estimates the eligible population, contrasts those accepted and those not, describes the services that clients receive, and evaluates program outcomes. GAO found that only a small fraction of the millions of disabled Americans who are potentially eligible for state-federal rehabilitation services actually receive them and that rehabilitants' gains in employment and earnings fade substantially after about two years.

**Student Loans:  
Default Rates at Historically Black Colleges and Universities**

GAO/HRD-93-117FS, Aug. 19 (15 pages).

Of the \$13.5 billion in Federal Family Education Loans made in fiscal year 1991, \$372 million—less than three percent—went to students attending

historically black colleges and universities. The loan default volume at these institutions for fiscal year 1990 was \$45 million. Average annual default rates for loans made to students attending historically black colleges and universities ranged from 21 to 27 percent during fiscal years 1987-90. If these default rates remain steady for fiscal years 1990-92, nearly one-third of the 105 historically black colleges and universities will lose their eligibility for the federal loan program in fiscal year 1994. In addition, as many as three-fourths of these institutions could be subject to a state review to determine their continued eligibility for participating in federal student assistance programs.

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## Energy

### **Department of Energy: Management Problems Require a Long-Term Commitment to Change**

GAO/RCED-93-72, Aug. 31 (52 pages).

Congress and others have criticized the Department of Energy (DOE) for inadequately managing its vast nuclear weapons production complex and for allowing contractors, which now dominate agency activities, to elude management and financial oversight. DOE admits these weaknesses and, to its credit, has launched a broad range of initiatives to overcome them. Yet the management challenges facing DOE are so significant that fundamental change will come slowly. Strong leadership is needed to sustain the momentum and to build an effective management structure. Two of the most important management changes have been (1) DOE's reorganization to instill accountability and (2) procurement reforms to bolster contractor oversight. But fundamental DOE weaknesses, including poor communication with field offices and inadequate technical and administrative skills among DOE workers, are undermining the success of these initiatives. Aggressive action to overcome these shortcomings is especially important as the incoming DOE leadership begins grappling with problems plaguing DOE organizational structure and contract management.

### **Nuclear Regulation: Cleanup Delays Continue at Two Radioactive Waste Sites in Ohio**

GAO/RCED-93-156, June 28 (27 pages).

Two sites in Newburgh Heights, Ohio, are contaminated with low-level radioactive material used during the Chemetron Corporation's chemical

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manufacturing. Although the company ceased operations more than 20 years ago, it has yet to clean up the sites and still holds a license to possess nuclear materials. The Nuclear Regulatory Commission will not cancel Chemetron's license until the company properly disposes of radioactive material and has spearheaded recent efforts to clean up the sites. This report reviews Chemetron's efforts to clean up the two sites, discusses factors that led to the failure of past cleanups, and addresses problems that Chemetron faces with its current cleanup proposal.

**Electricity Regulation:  
Factors Affecting the Processing of Electric Power Applications**

GAO/RCED-93-168, July 23 (52 pages).

Although the Federal Energy Regulatory Commission (FERC) has tried to cut the time required to process electric power applications, further improvements are possible. FERC is responsible for regulating the rates, the terms, and the conditions of proposed wholesale electricity transactions—a growing portion of the nation's electricity business—as well as mergers and other deals among utilities. These improvements are especially important considering the potential increased workload arising from the Energy Policy Act. FERC's management information system could be upgraded to give agency managers more-specific information with which to spot problems and assess performance. By examining the information exchanged by applicants and FERC staff at the initial filing stage, FERC could determine if changing policy statements or filing requirements would reduce the number of incomplete applications. Alternative resolution techniques could reduce the need for time-consuming trial-like hearings. Similar techniques could help applicants settle disputes before submitting applications to FERC. GAO summarized this report in testimony before Congress; see:

Electricity Regulation: Factors Affecting the Processing of Electric Power Applications, by Victor S. Rezendes, Director of Energy and Science Issues, before the Subcommittee on Environment, Energy, and Natural Resources, House Committee on Government Operations. GAO/T-RCED-93-65, Aug. 6 (16 pages).



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**Rural Electrification:  
REA Borrowers' Investments in Cable and Satellite  
Television Services**

GAO/RCED-93-164, July 29 (48 pages).

Concerns have been raised about the possibility that borrowers have been using loans from the Rural Electrification Administration (REA) to subsidize their cable or satellite television services. One-fourth of the REA borrowers responding to a GAO survey provide such services; respondents reported investments in these businesses totaling \$357 million. REA borrowers may have a competitive advantage in their cable or satellite businesses. They have access, for example, to credit sources created to finance electric and telephone cooperatives. Many share space, equipment, and staff used for their utility services with their cable or satellite business. REA does restrict the amounts that borrowers may invest in nonutility activities. REA also has accounting and auditing controls, including annual audits of borrowers, designed to ensure that borrowers comply with their loan agreements. Regulation of REA borrowers by other federal agencies is limited. State regulation of borrowers and their affiliates varies, depending on whether the borrower is a cooperative or is investor-owned. GAO did not determine whether federal and state oversight prevents borrowers from cross-subsidizing their cable and satellite businesses.

**Fossil Fuels:  
The Department of Energy's Magnetohydrodynamics  
Development Program**

GAO/RCED-93-174, July 29 (26 pages).

The Department of Energy (DOE), along with industry, has been working for years to develop magnetohydrodynamics (MHD) technology for generating electricity. MHD is a potentially high-efficiency technology that generates electrical power from coal by passing extremely hot coal combustion gases through a channel surrounded by a magnetic field. In recent years, DOE's MHD program has focused on demonstrating the proof-of-concept, or feasibility, of coal-fired MHD electric power plants. This report discusses (1) the financial history of developing MHD technology, (2) progress in meeting the proof-of-concept program's schedule, (3) potential problems and concerns, (4) DOE's management of the program, and (5) DOE's plans for MHD.

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## Testimony

**Nuclear Regulation: NRC's Nuclear Materials Program Needs Improvement to Protect Public Health and Safety**, by Jim Wells, Associate Director for Energy and Science Issues, before the Subcommittee on Environment, Energy, and Natural Resources, House Committee on Government Operations. GAO/T-RCED-93-51, Aug. 2 (seven pages).

The Nuclear Regulatory Commission (NRC) licenses millions of individuals and organizations throughout the United States to use radioactive material for research and development; medical diagnosis and treatment; and industrial, academic, and consumer activities. This testimony, which draws on an April 1993 GAO report (GAO/RCED-93-90), questions whether the public is being adequately protected from nuclear materials outside power plants, noting that NRC lacks information on whether all states receive the same minimum level of protection. NRC does not collect comparable data for its licensing and inspection programs, and the agency lacks a common set of performance indicators to effectively evaluate both the agreement-states program and the NRC-regulated states program. Moreover, NRC does not have specific criteria or procedures for suspending or revoking an agreement state's program. As a result, NRC has failed to suspend or revoke state programs even though the states are not complying with NRC requirements.

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## Environmental Protection

### **Drinking Water Program: States Face Increased Difficulties in Meeting Basic Requirements**

GAO/RCED-93-144, June 25 (18 pages).

Under the Safe Drinking Water Act, the Environmental Protection Agency (EPA) may delegate primary drinking water program enforcement authority to the states. So far, all states except Wyoming have assumed such responsibility. The number and the complexity of the requirements that states must meet have expanded significantly, however. This report examines (1) whether states are complying with the minimum requirements needed to retain primary responsibility for their drinking water programs, (2) how EPA has responded to the prospect that many states may be unable to meet these requirements, and (3) whether EPA is able to take over state programs itself should it become necessary. GAO concludes that severe resource constraints have made it increasingly hard for many states to carry out the mandatory elements of the federal safe drinking water program, and the states' ability to meet these requirements will probably deteriorate significantly during the next few years.

**Superfund:  
Backlog of Unevaluated Federal Facilities Slows Cleanup Efforts**

GAO/RCED-93-119, July 20 (34 pages).

Federal agencies own and operate many facilities—everything from research laboratories to landfills to nuclear weapons plants—potentially contaminated with hazardous waste. The Environmental Protection Agency (EPA) has not met its statutory deadlines for evaluating such facilities and deciding whether to enroll them in the Superfund program. By the end of 1992, EPA had finished evaluating only 500 of 823 potentially contaminated facilities. At its current pace, the agency may take more than a decade to finish evaluating and placing facilities on the National Priorities List. EPA missed its deadlines mainly because it did not place a high enough priority on assessing and evaluating federal facilities. EPA and other federal agencies never established a joint plan for responding to the mandates. EPA began to devote more resources and attention to federal facilities only after a 1991 court order. In addition, some federal agencies have given short shrift to environmental issues and have contributed to delays by giving EPA late or incomplete facility assessments.

**Hazardous Waste Exports:  
Data Quality and Collection Problems Weaken EPA Enforcement Activities**

GAO/PEMD-93-24, July 6 (68 pages).

Although U.S. companies have the option of exporting their hazardous wastes, which can pose threats to human health and the environment in the importing companies, they must provide data to the Environmental Protection Agency (EPA) before, during, and after shipments. Foreign facilities can then use these data to decide whether to accept the waste. GAO's study of 52 shipments revealed several data quality and collection problems involving either the exporters' activities or the design and the implementation of the hazardous waste export program. In addition, GAO found other problems, including 10 violations of the export regulations, that EPA had overlooked. These problems and the fact that they went undetected are directly linked to the other data and program problems identified. GAO found that governments of importing countries and foreign receiving facilities generally did not rely on data from either the exporters or EPA in making decisions on importing U.S. hazardous waste.

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## Financial Institutions

### **Resolution Trust Corporation: Summary of GAO Products**

GAO/GGD-93-128, July 20 (179 pages).

This report summarizes all issued GAO products on the Resolution Trust Corporation (RTC) and related issues, updates RTC's responses to GAO's recommendations, and discusses the applicability to RTC of federal regulations limiting the contracting out of inherently governmental functions. GAO's high-risk series of reports and 1993 performance assessment testimony on RTC pinpointed several areas at RTC needing immediate attention. These include (1) better planning of real estate disposition to ensure maximum recoveries on sales, (2) establishing a comprehensive system of contract oversight, and (3) improving the integrity of the Real Estate Owned Management System data and the Asset Manager System. Although RTC relies heavily on contractors, it is not subject to Office of Management and Budget rules limiting contracting out of inherently governmental functions. Further, although contracting rules state that it will retain governmental functions, RTC has neither defined these functions nor issued rules for comparing the costs of contracting out with those of using federal workers.

### **Resolution Trust Corporation: Loan Portfolio Pricing and Sales Process Could Be Improved**

GAO/GGD-93-116, July 23 (35 pages).

Although Resolution Trust Corporation (RTC) policy states that loan portfolio characteristics should provide the basis for setting a reserve price before a loan portfolio is offered for sale, three of four RTC offices GAO visited did not follow this guidance. These offices routinely set reserve prices at 85 percent of the loan portfolios' book values because these were the minimum reserve prices that could be approved locally. As a result, RTC could not evaluate the reasonableness of bids or determine whether it was maximizing recoveries on loan portfolio sales. Although the 60 investors GAO surveyed generally gave high marks to RTC's loan portfolio sales process, they did have concerns about (1) vague announcement letters for loan offering, (2) inaccurate portfolio information in bid packages, (3) late notification of bidding results, and (4) nonresponsiveness to problems after loan sales were closed. Some investors said that these problems discouraged participation or caused them to submit lower bids in RTC loan portfolio sales. In addition, RTC

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headquarters did not systematically collect, summarize, and analyze loan portfolio sales results.

**Securities and Exchange Commission:  
Delays in Processing Time-Sensitive Stock Filings**

GAO/GGD-93-130, Aug. 18 (10 pages).

The Securities and Exchange Commission's (SEC) goal is to disclose time-sensitive information about securities, such as takeover offers or purchases of more than five percent of a company's stock, to the public within one hour of receipt. During the first quarter of 1993, however, SEC sometimes took two business days or longer to reveal information it had received on changes in stock ownership. Nearly all of these delays occurred when documents were mailed to SEC and processed by SEC mail room personnel, who have little understanding of the time-sensitive nature of this material. The guidance they receive does not provide for the prompt delivery of this information for release to the public. Consequently, the public often ends up making investment decisions without the benefit of important securities market information. Although SEC has since changed its mail room procedures to improve the handling of time-sensitive information, it may want to consider additional alternatives, such as requiring all time-sensitive filings to be delivered to SEC's Document Control Unit.

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**Financial  
Management**

**Financial Management:  
Estimate of Interest on Selected Benefits Received by Postal  
Service Retirees**

GAO/AIMD-93-11, July 29 (15 pages).

The Postal Service is required to reimburse the government for some cost-of-living adjustments (COLA) and health benefits that Postal Service retirees received during fiscal years 1972-90. GAO estimated a total of \$1,728.5 million in interest on the amount that the Postal Service is required to pay—\$782.5 million higher than the amount in the President's 1994 budget proposal. The estimates differed because of the choice of interest rates and the principal balances used in the calculations. For the period covered by the calculations, GAO's interest rates averaged about nine percent annually for COLAs and about eight percent annually for health benefits, whereas the President's proposal used a five percent figure to

calculate amounts. GAO applied its calculated interest rates to the \$2.1 billion in the 1990 Omnibus Reconciliation Act, while the amount in the budget relied on the \$3 billion figure that the administration had calculated.

**Financial Audit:**  
**U.S. Senate Health Promotion Revolving Fund Financial Statements for 1991 and 1990**

GAO/AIMD-93-28, Aug. 3 (11 pages).

GAO audited the financial statements of the Senate Health Promotion Revolving Fund for 1991 and 1990 and the related statements of operations and cash flows. The Office provides health education and services, such as aerobics and weight loss classes, for Senators and Senate employees. GAO found the following: the financial statements were reliable in all material respects; internal controls effectively protected assets, ensured material compliance with laws and regulations, and ensured that there were no material misstatements in the 1991 financial statements; and there were no instances of material noncompliance with laws and regulations.

**Financial Audit:**  
**House Office Systems Management Financial Statements for Fiscal Years 1991 and 1990**

GAO/AIMD-93-12, Aug. 6 (12 pages).

GAO audited the House Office Systems Management's financial statements for fiscal years 1991 and 1990. The Office, which comes under the jurisdiction of the House Clerk, is responsible for purchasing, leasing, servicing, and disposing of House office equipment. GAO found no material weaknesses in the internal control structure and its operations for fiscal year 1991 and no material noncompliance with laws and regulations.

**Financial Audit:**  
**House Recording Studio Revolving Fund for 1991 and 1990**

GAO/AIMD-93-13, Aug. 10 (11 pages).

GAO audited the financial statements of the House Recording Studio Revolving Fund for 1991 and 1990. The studio makes photographic prints, as well as radio and television tape recordings, for Members of Congress

and congressional committees. GAO found that (1) the financial statements were reliable in all material respects; (2) the internal controls were effective in protecting assets, ensuring material compliance with laws and regulations, and preventing material misstatements from appearing in the financial statements; and (3) there was no material noncompliance with laws and regulations.

**Financial Audit:**

**Capital Preservation Fund—March 31, 1992 and 1991**

GAO/AIMD-93-14, Aug. 10 (10 pages).

GAO audited the financial statements of the Capital Preservation Fund as of March 31, 1992 and 1991. The fund, which is responsible for underwriting improvements and preservation projects at the U.S. Capitol, consists of donations, interest on investments, and surcharges generated from the sale of commemorative coins. GAO found that (1) the financial statements were reliable in all material respects; (2) the internal controls were effective in protecting assets, ensuring material compliance with laws and regulations, and preventing material misstatements from appearing in the financial statements; and (3) there was no material noncompliance with laws and regulations.

**Financial Management:**

**Fiscal Year 1992 Audit of the Defense Cooperation Account**

GAO/NSIAD-93-185, Aug. 13 (25 pages).

During fiscal year 1992, foreign governments, private groups, and individuals contributed more than \$5 billion to the Defense Department (DOD), mainly to defray the costs of Operations Desert Shield and Desert Storm. GAO found that DOD credited all cash contributions to the Defense Cooperation Account and administrated these funds in accordance with legal and accounting requirements. Through various memorandums, DOD also established procedures for tracking, reporting, and valuing in-kind support. DOD corrected reporting discrepancies that GAO had noted in an earlier report. DOD's fiscal year 1992 reports to Congress reflected adjustments to the estimated value of in-kind contributions. DOD's formal regulations on the Defense Cooperation Account and related contributions of cash and goods have not been issued. This lack of formal guidance may have caused the proceeds from the sale of contributed goods to be deposited in an account other than the Defense Cooperation Account.

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**Financial Audit:  
Northeast-Midwest Congressional Coalition Financial Statements  
for 1991 and 1990**

GAO/AIMD-93-27, Aug. 13 (12 pages).

GAO audited the financial statements of the Northeast-Midwest Congressional Coalition for 1991 and 1990. The Coalition, a legislative group sponsored by Members of Congress who pool their resources, seeks to (1) inform its members about regional implications of national policies and proposals and (2) influence Congress on issues important to northeastern and midwestern states. GAO found that the financial statements were reliable in all material respects; internal controls effectively protected assets, ensured material compliance with laws and regulations, and prevented material misstatements from appearing in the financial statements; and there was no material noncompliance with laws and regulations.

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**Testimony**

**Financial Management: First Financial Audits of IRS and Customs Revealed Serious Problems**, by Charles A. Bowsher, Comptroller General of the United States, before the Senate Committee on Governmental Affairs. GAO/T-AIMD-93-3, Aug. 4 (47 pages).

Pilot programs established by the Chief Financial Officers Act of 1990 require selected federal agencies to prepare audited financial statements. The Comptroller General hopes that these audited financial statements, some of which pinpoint serious financial management problems, will ultimately be required of all major government agencies. In the first-ever financial audit of the Internal Revenue Service (IRS) and the Customs Service, GAO was unable to express an opinion on the reliability of the financial statements because critical supporting information for billions of dollars was either unavailable or unreliable. In addition, internal controls did not effectively safeguard assets, provide a reasonable basis for determining compliance with laws and regulations, or ensure that no material misstatements appeared in the financial statements. IRS and Customs have started to rebuild their financial management processes and systems. Although it will be a tough job, continued strong implementation of the Chief Financial Officers Act by these agencies can result in a tremendous payoff through improved ability to safeguard assets, manage operations, and collect revenues.



## Health

### **Medicaid Drug Fraud: Federal Leadership Needed to Reduce Program Vulnerabilities**

GAO/HRD-93-118, Aug. 2 (43 pages).

Medicaid prescription fraud is widespread in the United States, contributing significantly to the government's \$5.5 billion tab for prescription drugs in 1991. For example, some pharmacists routinely pad customer prescriptions, keeping the extra drugs to sell or use themselves. Clinics inappropriately give Medicaid recipients completed prescription forms that are then traded for merchandise from local pharmacies or sold on the street to the highest bidder; some pills costing 50 cents at the pharmacy have been resold for as much as \$85. A common scheme is the so-called "pill mill," in which doctors, clinic owners, and pharmacists conspire to defraud Medicaid by prescribing drugs solely to obtain government reimbursement. Patients are often in on the scam, allowing the use of their Medicaid numbers in exchange for kickbacks of cash or drugs. This organized network of physicians, patient brokers, and assorted middlemen frequently transferred money overseas via the notorious Bank of Credit and Commerce International. Recent initiatives in several states have shown signs of stemming these financial losses, but federal leadership and support is needed to ensure broader implementation of these initiatives. GAO summarized this report in testimony before Congress; see:

Medicaid Drug Fraud: Federal Leadership Needed to Reduce Program Vulnerabilities, by Leslie G. Aronovitz, Associate Director for Health Financing Issues, before the Subcommittee on Human Resources and Intergovernmental Relations, House Committee on Government Operations. GAO/T-HRD-93-28, Aug. 2 (10 pages).

### **1993 German Health Reforms: New Cost Control Initiatives**

GAO/HRD-93-103, July 7 (55 pages).

Despite an enviable record in health care cost containment and universal coverage, the German government decided in 1993 to impose emergency budget caps and begin structural reforms of its health care system. Germany's universal coverage and well-organized administrative framework, which make it easier to monitor provider fees and monitor service utilization, bolster that country's ability to respond to changing

health market conditions. But Germany still faces many cost pressures from an aging population, expanding demands for high-technology care, and consumer demands for high-quality care and choice. Germany's past experience and current reforms using global budgets, physician fee schedules, and constraints on resource growth could provide valuable insights for the United States as it grapples with health care reform. The German experience in refining, changing, and adapting some of the same tools being considered in U.S. reform proposals underscores the dynamic nature of the health care market. One of the most important lessons from Germany is that health care reform is a continuous process. As the United States moves toward comprehensive health care reform, the flexibility to respond to a constantly changing health market will be crucial.

**Nonprofit Hospitals:  
For-Profit Ventures Pose Access and Capacity Problems**

GAO/HRD-93-124, July 22 (12 pages).

During the 1980s, increasing numbers of hospitals and doctors became partners in for-profit joint ventures, such as outpatient surgery and diagnostic imaging. Concerns have been raised, however, that the profit motive inherent in these joint ventures can lead to excess capacity for some medical services without improving care for poor patients. Further, concerns about kickbacks and other illegal schemes have prompted federal and state regulators to regulate joint ventures more closely. This report determines the (1) rate at which nonprofit hospitals participate in joint ventures; (2) extent to which these ventures, compared with their parent hospitals, serve the poor; (3) extent that joint ventures can boost excess capacity for medical services in their communities; and (4) effect of recent federal and state regulatory action on joint ventures.

**Preventive Health Care for Children:  
Experience From Selected Foreign Countries**

GAO/HRD-93-62, Aug. 4 (37 pages).

About 12 million American children are not receiving basic preventive health care, such as regular physical examinations or childhood immunizations. GAO looked at how five countries with universal health insurance—England, France, Germany, Japan, and the Netherlands—deliver preventive health care to children. GAO found that they do not rely solely on systems of universal coverage to ensure that

children receive services. Instead, they may (1) notify health authorities of new births, which initiates the monitoring and the providing of preventive health services; (2) stress the importance of regular care by targeting new parents for home visits, by providing booklets for maintaining a child's health record, and by conducting information campaigns; (3) provide convenient access to physical examinations by making them available in schools; and (4) facilitate the continuity of care through computer tracking. Before adopting any of these special measures, the United States should study them carefully, given the current limited knowledge of their cost and their real health consequences.

**Medicare Part B:  
Reliability of Claims Processing Across Four Carriers**

GAO/PEMD-93-27, Aug. 11 (33 pages).

How fair is the process used by insurance companies to approve or deny Medicare Part B claims? In its review of four insurance companies, GAO found that the computer programs used to evaluate claims produced consistent results and were economical. The programs, however, were not equipped to handle claims involving more subjective criteria, such as deciding whether medical care is appropriate or not. These cases were delegated to claims examiners, typically high-school graduates with no medical background who were expected to decide whether doctors' services were "medically necessary" on up to 400 claims daily. GAO concludes that three factors taken together—the time constraints under which decisions about medical necessity were made, the decentralized way in which medical policies were being developed and instituted, and weaknesses in some quality control methods—raise doubts about the system's ability to treat Medicare claims consistently.

**Medical Malpractice:  
Medicare/Medicaid Beneficiaries Account for a Relatively Small  
Percentage of Malpractice Losses**

GAO/HRD-93-126, Aug. 11 (24 pages).

Although the precise extent to which medical malpractice has contributed to spiraling health care costs is unknown, the expenses associated with it total billions of dollars. Some proposed malpractice reforms target the Medicare and Medicaid programs. Beneficiaries of these programs account for more than one-third of the nation's health care costs, but little

information exists on malpractice suits involving Medicare and Medicaid patients. This report (1) reviews the literature and existing data to compare the incidence and the outcomes of malpractice litigation involving Medicare and Medicaid patients with those of the rest of the population and (2) analyzes aggregate hospital data on malpractice losses for Medicare, Medicaid, and other hospital patients. GAO discovered that although Medicare and Medicaid beneficiaries represent more than 45 percent of hospital patients, they received only about one-fourth of the \$2.3 billion of hospital malpractice awards during a five-year period.

**Medicaid:**

**Alternatives for Improving the Distribution of Funds to States**

GAO/HRD-93-112FS, Aug. 20 (24 pages).

In a 1991 report (GAO/HRD-91-66FS), GAO suggested three changes to the formula for distributing Medicaid funds to states. First, squaring the per capita income factor should be discontinued and replaced with income measured on a per person in poverty basis. Second, the minimum guaranteed federal reimbursement rate of 50 percent should be reduced. These steps would improve tax burden equity among states and reduce reimbursements to states with high incomes and low poverty rates. Third, total taxable resources—a better indicator of a state's ability to fund programs out of its own pocket—should be substituted for per capita income. This fact sheet updates the 1991 report. Each of the alternatives described for improving distribution of Medicaid funds to the states simulates federal reimbursement rates using fiscal year 1991 Medicaid funding amounts. The alternatives also show what reimbursement rates would have been assuming that there was no increase in federal funding and a five-percent rise in federal assistance.

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## Housing

**Assisted Housing:**

**Evening Out the Growth of the Section 8 Program's Funding Needs**

GAO/RCED-93-54, Aug. 5 (42 pages).

Housing subsidies provided under the government's Section 8 program have enabled nearly 3 million poor families to obtain decent and affordable housing from private owners. The Department of Housing and Urban Development makes this money available through more than 40,000 contracts with local housing agencies, state finance agencies, and private

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owners. Many of these contracts will expire within five years, and the estimated cost to renew them will soar to more than \$15 billion. This report discusses (1) estimated budget authority needs to renew expiring Section 8 rental housing assistance contracts in fiscal years 1994-98, (2) ways to even out the growth in budget authority for contract renewals, and (3) the relationship between budget authority needs to fund contract amendments—additional budget authority for contracts with insufficient remaining funds—and budget authority needs to renew expiring contracts.

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## Information Management

### **Financial Management: IRS Lacks Accountability Over Its ADP Resources**

GAO/AIMD-93-24, Aug. 5 (20 pages).

The Internal Revenue Service (IRS) has not adequately stressed the need for controls to ensure the accuracy of inventory records for computer equipment and software. As a result, information needed to manage and report on these assets is not readily available. In addition, IRS lacks a system of controls to ensure the accurate accounting of large acquisitions of hardware and software and the in-house development of software it has planned under its Tax Systems Modernization effort. IRS officials, responding to the Chief Financial Officers Act's emphasis on developing more useful financial management information, plan to improve the reliability of automated data processing asset records. Having IRS' Chief Financial Officer account for and report on the agency's fixed assets would help ensure that adequate controls are implemented, further improving the reliability of information needed for managing and reporting on these assets.

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## Testimony

Environmental Protection: EPA Faces Formidable Challenges Managing Water Quality Data, by JayEtta Z. Hecker, Director of Resources, Community, and Economic Development Information Systems Issues, before the Subcommittee on Clean Water, Fisheries, and Wildlife, Senate Committee on Environment and Public Works. GAO/T-AIMD-93-2, Aug. 5 (10 pages).

In making water quality policies, the Environmental Protection Agency (EPA) has to decide what scientific data to collect and how to best manage it. Inconsistencies in data collection and management by hundreds of federal and state water programs, along with problems involving

incomplete or inadequate data, have limited comprehensive assessments of water quality and safety. This testimony discusses (1) EPA's efforts to address water quality data shortcomings that impede performance-based assessments, (2) EPA's plans to improve water information systems, (3) factors affecting the use of remote sensing and satellite imagery for water quality-related purposes, and (4) progress made by the Intergovernmental Task Force on Monitoring Water Quality in addressing governmentwide data management issues.

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## International Affairs

### **Military Sales to Israel and Egypt: DOD Needs Stronger Controls Over U.S.-Financed Procurements**

GAO/NSIAD-93-184, July 7 (52 pages).

The United States has given billions of dollars in security assistance to both Israel and Egypt. In 1991, Israel convicted one of its Air Force officers of skimming an estimated \$40 million in U.S. funds by submitting false purchase orders on U.S.-financed contracts. This incident heightened congressional concerns about the incidence of waste, fraud, and abuse in the Foreign Military Financing Program. This report (1) discusses why Israel and Egypt often buy U.S.-funded goods directly from contractors rather than through the U.S. government and (2) identifies weaknesses in the program. GAO also examines the procurement procedures of each country.

### **U.S.-Mexico Trade: The Maquiladora Industry and U.S. Employment**

GAO/GGD-93-129, July 20 (32 pages).

U.S. trade and investment in Mexico have soared in recent years. Between 1985 and 1992, U.S. merchandise exports to Mexico tripled in nominal (not adjusted for inflation) terms, while imports from Mexico grew by about 80 percent. Between 1985 and 1991, the cumulative stock of U.S. direct foreign investment in Mexico more than doubled, from \$5.1 billion to \$11.6 billion. Precise data are unavailable on the proportion of U.S.-Mexican trade and investment involving maquiladora firms. Studies of the maquiladora's impact on U.S. employment are divided, and it is hard to know which assessment, if any, is reliable. Although these studies suggest that export to maquiladoras support some U.S. jobs, they also show that

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maquiladora production—most of which the United States imports—has displaced other U.S. jobs.

**Food Aid:  
Management Improvements Are Needed to Achieve  
Program Objectives**

GAO/NSIAD-93-168, July 23 (68 pages).

The Agricultural Development and Trade Act of 1990 gives the Agency for International Development (AID) responsibility for managing agricultural commodity assistance to foreign countries. This report evaluates two program run by AID—the Emergency and Private Assistance Programs and Food for Development. GAO reviews (1) the uses of commodities provided under titles II and III of the act and local currencies generated by the sale of commodities; (2) the impact of the assistance on enhancing food security; and (3) AID's management of the programs, particularly in safeguarding financial resources generated under the programs.

**Military Aid to Egypt:  
Tank Coproduction Raised Costs and May Not Meet Many  
Program Goals**

GAO/NSIAD-93-203, July 27 (26 pages).

As part of the 1979 Camp David Accords, the United States has channeled billions of dollars in military assistance to Egypt; the flow of annual grants to Egypt has remained steady at \$1.3 billion per year since 1987. In the early 1980s, Egypt decided to modernize its Army by procuring a new main battle tank. Egypt sought and received U.S. financial support for building a tank factory near Cairo, and later, for coproducing M1A1 tanks there. This report (1) discusses the rationale behind the U.S. decision to coproduce the tanks with Egypt, (2) compares the cost of coproduction with the cost of providing complete tanks, and (3) provides information on future plans for the Egyptian tank factory.

**European Community:  
Regulatory Issues in Creating a Single Insurance Market**

GAO/GGD-93-87, Aug. 4 (64 pages).

The European Community (EC) has developed a framework of insurance regulations for its member states in order to create a single insurance market. The framework's final provisions, however, will not be implemented by the member states until 1994. Among these are key provisions on the financial supervision of an insurance company throughout the EC by a single member state. Although the EC has already adopted the key elements of its framework of insurance regulations as envisioned under the single market program, three groups of regulatory issues remain. The first group involves several topics that EC officials acknowledge still need to be addressed. In contrast, the EC considers the second group, involving continuing regulatory differences among the member states, to be sufficiently addressed by existing member state or EC mechanisms. Finally, a third set of issues reflects uncertainties about how some elements of the system of insurance regulation adopted by the EC will work when fully implemented by the member states.

**Agricultural Trade:  
Significance of High-Value Products as Agricultural Exports**

GAO/GGD-93-120, Aug. 10 (47 pages).

This report examines the status of U.S. exports of high-value agricultural products as well as the economic benefits of exporting them. GAO (1) presents background information on exports of these products and discusses the importance of a governmentwide strategy for guiding U.S. export promotion programs; (2) provides a brief analysis of U.S. and world trade statistics for these products; (3) examines the economic issues associated with the export of high-value products and bulk commodities; (4) summarizes the types of export assistance programs and services provided by the Agriculture Department for high-value product exports and addresses Agriculture's progress in developing a long-term agricultural trade strategy; and (5) gives information on high-value product export assistance provided by the top 10 agricultural exporting states.

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**Justice and Law  
Enforcement**

**Drug Use Measurement:  
Strengths, Limitations, and Recommendations for Improvement**

GAO/PEMD-93-18, June 25 (85 pages).

Is drug use declining in American households, schools, and prisons? Is heroin use on the rise? Are Americans still using marijuana, a "gateway"



drug, in large numbers? National drug control policy demands answers to these questions. But, in obtaining responses, it must also be asked: How valid are the data? GAO concludes that three leading federally funded annual surveys of national drug use patterns and trends yielded questionable results because of various methodological weaknesses, such as excluding groups at high risk for drug use and relying on self-reported data. Promising new methodologies, such as hair sample analysis, deserve attention as ways to validate self-reports and determine drug use over an extended period. Expanding the subsamples of current surveys and conducting new studies aimed at hard-to-reach, high-risk groups should improve the coverage of underrepresented target populations.

**Confronting the Drug Problem:  
Debate Persists on Enforcement and Alternative Approaches**

GAO/GGD-93-82, July 1 (48 pages).

The federal government has steadily increased funding for drug control, from \$2.8 billion in 1986 to \$12 billion in 1992. Nearly 70 percent of this money has gone to law enforcement, with about 30 percent going to drug use prevention and treatment. Although supporters of the enforcement role note that drug seizures and arrests have reduced the availability and use of illegal drugs, both directly and through deterrence, advocates of alternative strategies counter that the stress on law enforcement has hardly made a dent in the nation's continuing drug problem. This report identifies a range of alternatives that relies less heavily on enforcement.

**Illegal Aliens:  
Despite Data Limitations, Current Methods Provide Better  
Population Estimates**

GAO/PEMD-93-25, Aug. 5 (92 pages).

During the 1980s, the methods used to measure the size and flow of illegal aliens were refined to yield a narrower range of estimates than was the case in a 1982 GAO evaluation (GAO/PE-82-9). As a result, GAO projects the size of the U.S. illegal alien population during 1990 at no more than 3.4 million, a figure considerably below the 5.5 million maximum that the Census Bureau projected. Estimates of the gross annual flow of illegal aliens are more sketchy. For example, according to Immigration and Naturalization Service figures, the total inflow in 1988 was put at 2.3 million people. Owing to a high potential error in this calculation,

however, GAO believes that the actual inflow could have ranged anywhere from 1.3 million to 3.9 million people. The main reason that this inflow does not translate into a larger illegal alien population is that much of it represents short-term visits to the United States.

## National Defense

### **Defense Procurement: Programs for Considering Vendor's Past Performance in Awarding Contracts**

GAO/NSIAD-93-63, June 30 (15 pages).

GAO reviewed the Air Force Logistics Command and Defense Logistics Agency programs for awarding contracts to vendors with superior quality and delivery histories, but not necessarily offering the lowest prices. This report addresses (1) the origins of these programs, whether they were started in response to evidence of significant quality problems in vendor performance, and what formal legal reviews were done on the programs; (2) the extent of their use and how much they increased prices; (3) the programs' competitive impact on small businesses; and (4) whether preexisting procurement practices could accomplish the same thing.

### **Contract Pricing: Issues Related to DCAA Staff Levels**

GAO/NSIAD-93-225, July 1 (seven pages).

As part of the overall military downsizing, the Defense Contract Audit Agency's (DCAA) staffing has been cut significantly—from a peak of about 7,000 positions in fiscal year 1990 to 5,650 positions in fiscal year 1993. For fiscal year 1994, the President has proposed an increase of about 70 positions at the agency. DCAA must have adequate resources to protect the government from overpriced contracts. GAO believes that the debate over DCAA staffing levels must take into account the following: (1) ensuring adequate review of subcontractors for defective pricing, (2) ensuring that the government is protected from unnecessary contractor overhead costs, (3) reducing the huge backlog of audits of contractor incurred costs, and (4) ensuring adequate levels of transaction testing—tracing expenditures back to supporting documentation and evaluating their allowability—to spot unallowable contractor cost submissions.

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**Naval Aviation:  
The Navy Is Taking Actions to Improve the Combat Capabilities of  
Its Tactical Aircraft**

GAO/NSIAD-93-204, July 7 (32 pages).

Equipment limitations during Operation Desert Storm made it hard for Navy and Marine Corps aircrews to locate, identify, and attack targets precisely during combat; to identify unknown aircraft beyond visual range; and to defend against some anti-aircraft threats. The military sought to minimize aircraft losses due to these limitations by flying airplanes at higher altitudes, a move that sacrificed bombing accuracy. If fewer U.S. aircraft had been on hand, the capabilities of individual aircraft would have been more important. Also, if the Iraqis had undertaken greater offensive action, increased U.S. bomber accuracy and more effective aircraft defense systems would have been critical. The equipment limitations that air crews had to work around were caused by trade-offs linked to the expense, the cost growth, and the time associated with developing and fielding new weapons systems. Navy officials were aware of most aircraft limitations before the war and had taken steps to overcome them.

**Roles and Functions:  
Assessment of the Chairman of the Joint Chiefs of Staff Report**

GAO/NSIAD-93-200, July 15 (79 pages).

The Chairman of the Joint Chiefs of Staff is required to review the roles and functions of the military services at least every three years and issue a report recommending changes needed to sustain the maximum effectiveness of the armed forces. In this review of the Chairman's February 1993 report on the roles, missions, and functions of the armed forces, GAO assesses the methodology used to prepare the report and identifies opportunities for eliminations, reductions, consolidations, and realignments beyond those cited in the report. GAO also discusses obstacles that make reductions in overlapping military capabilities hard to achieve. Although the Chairman's report cited some important opportunities for change and went beyond the first study completed in 1989, it did not recommend significant reductions in overlapping functions. Attempts to reduce unnecessary overlaps will require aggressive leadership and in-depth analysis, particularly because such efforts are

likely to encounter strong opposition from the losing military service and its supporters.

**Army Housing:  
Overcharges for On-Base Lodging Have Not Been Repaid**

GAO/NSIAD-93-188, Aug. 3 (15 pages).

In a September 1990 report (GAO/NSIAD-90-241) on Army facilities used to lodge military personnel temporarily assigned for training or other purposes, GAO found that Army bases had overbilled soldiers by \$70 million and used the money to subsidize officers' clubs, golf courses, guest houses, and similar activities. GAO found that the Army has yet to repay the overcharges that have accumulated from inflated transient lodging fees. Transient lodging service charges have been reduced somewhat but continue to be inflated.

**Navy Ships:  
Problems Continue to Plague the Seawolf Submarine Program**

GAO/NSIAD-93-171, Aug. 4 (44 pages).

The Navy's Seawolf (SSN-21) submarine, a nuclear-powered attack vessel originally developed to counter the Soviet threat, continued to experience cost increases and schedule delays during 1992. Since December 1991, the estimated total cost for the design and lead ship construction at completion rose about \$28 million and \$64 million, respectively. Design availability and construction work force problems contributed to SSN-21 construction delays. Because of incompatibility between the design and construction schedules, more delays are possible. Although it is too early to tell whether steps taken by the Navy and the contractor—General Electric's Electric Boat Division—will overcome these problems, the Navy believes that its actions will maintain the SSN-21's May 1996 delivery deadline. SSN-21 welding problems appear to have been resolved and a recurrence is unlikely.

**Defense Inventory:  
Applying Commercial Purchasing Practices Should Help Reduce Supply Costs**

GAO/NSIAD-93-112, Aug. 6 (50 pages).

The Pentagon's materiel inventory—the world's largest—includes spare parts and operating supplies for airplanes, ships, tanks, and other complex weapons systems. This report examines the cost considerations underlying the Defense Department's (DOD) inventory decisions for these items. GAO discusses DOD's inability to buy quantities of secondary items that deliver the lowest total cost for ordering and holding. GAO also identifies commercial inventory practices that have substantially cut supply costs at several private sector firms.

**Operation Desert Storm:  
Casualties Caused by Improper Handling of Unexploded  
U.S. Submunitions**

GAO/NSIAD-93-212, Aug. 6 (21 pages).

During Operation Desert Storm, at least 25 U.S. military personnel were killed by U.S. submunitions and many others were injured. The Army attributes 16 of these deaths to inappropriate handling of munitions. This report reviews aspects of the Army's Persian Gulf experience with its M42, M46, and M77 submunitions, which were responsible for some of the deaths and injuries. GAO discusses whether (1) the dud rate for these munitions as calculated during acceptance tests was higher than the Army's requirements or goals, (2) U.S. soldiers were adequately warned about the dangers of unexploded submunitions, (3) it was reasonable to use submunitions in areas that U.S. soldiers expected to occupy, and (4) the Army's planned improvements will reduce these casualties in the future.

**Operation Desert Storm:  
Army Medical Supply Issues**

GAO/NSIAD-93-206, Aug. 11 (15 pages).

Of 15 Army hospitals that GAO reviewed, the 10 with available data reported shortages of some medical supplies during the build up for the ground offensive for Operation Desert Storm. Items in short supply included flu vaccines, morphine, antibiotics, as well as certain lab reagents and X-ray film. The initial shortages arose because hospitals were shipped to the Persian Gulf without their full complement of medical supplies. Commercial medical suppliers filled most requisitions during the Gulf War, but they could not meet the deadlines for some large orders. Four medical items—three of which are related to nerve agent exposure—posed

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problems for the industrial base, although none of the hospitals GAO reviewed reported shortages of these four items. The Army plans new initiatives for meeting hospital supply needs during future contingencies.

**B-2 Bomber:  
Comparison of Operational Capabilities and Support Costs for 15  
Versus 20 Aircraft**

GAO/NSIAD-93-209, Aug. 20 (17 pages).

With a price tag of \$45.3 billion for 20 aircraft and related expenses, such as initial spares and facility construction, the B-2 bomber is one of the Pentagon's most expensive programs. GAO concluded in an earlier report (GAO/PEMD-92-36R, Sept. 1992) that the final five B-2 bombers could not be justified on the basis of strategic nuclear missions. This report evaluates the operational and support plans for the B-2. GAO specifically examines differences in the B-2's conventional operational capabilities, military construction funding, and operations and maintenance costs for purchasing 20 rather than 15 aircraft.

**DOD Budget:  
Future Years Defense Program Needs Details Based on  
Comprehensive Review**

GAO/NSIAD-93-250, Aug. 20 (eight pages).

The Future Years Defense Program, the military's overall financial plan, is used as a basis for internal Defense Department (DOD) program review and is relied on by Congress in reviewing budget requests and enacting appropriations. Unlike in earlier years, the document DOD calls its fiscal year 1994 plan contains only target defense budget totals for the outyears, omitting detailed program data. As a result, there are no planning assumptions to evaluate. In the past, GAO has evaluated planning assumptions for such factors as management savings and the adequacy of funding for major weapons programs through analysis of programmatic detail. DOD officials said that they did not include detailed outyear data in the fiscal year 1994 program because the data available at the time were outdated. Preparation of the fiscal year 1995 program, which will be submitted with the President's budget next year, represents the first opportunity to provide Congress with a plan based on a comprehensive review of the defense program since completion of the fiscal year 1992 plan. Each successive year for which there is no plan based on such a

comprehensive review further removes defense planning from the annual appropriations process. Therefore, it is critical that DOD's plan for fiscal year 1994 rely on a comprehensive review of the defense program.

**U.S.-Israel Arrow/Aces Program:  
Cost, Technical, Proliferation, and Management Concerns**

GAO/NSIAD-93-254, Aug. 23 (23 pages)

The Pentagon lacks valid baseline information needed to assess the Arrow missile defense system's cost, schedule, and technical performance. Even though the Defense Department has no plans to buy the Arrow, such an analysis is needed to determine whether the Arrow is the most cost-effective U.S. alternative and the best choice for meeting Israel's needs. In addition, the United States could be drawn into funding most of the costs of the complete Israeli Arrow missile defense system in response to incremental Israeli government requests. The U.S. government has exercised inadequate control of the technology and funds it has supplied to the Arrow missile program. No U.S. agency has monitored or verified Israel's compliance with provisions of the Arrow licensing agreements. Moreover, no U.S. agency has comprehensive information on U.S. items and technology exported to the program to allow adequate U.S. oversight and help deter and detect unauthorized uses and transfers.

**Army Training:  
Commanders Lack Guidance and Training for Effective Use  
of Simulations**

GAO/NSIAD-93-211, Aug. 23 (12 pages).

The field training exercises the Army has traditionally used to prepare its forces for combat are becoming increasingly difficult to stage. Funding for the ammunition, fuel, and maintenance needed for these exercises has been cut, and environmental concerns now restrict the use of ranges and maneuver areas. In response, the Army is turning to simulations to supplement field training exercises. The Army projects that it will spend upwards of \$1 billion on simulations during the next five years. The Army recently developed a training strategy that incorporates the use of simulations, but GAO concludes that it will not provide unit commanders with the detailed guidance they will need to use the simulations most effectively. In the past, the Army has used unapproved and modified simulations that ran the risk of not reflecting actual weapons capabilities

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and battle tactics. The Army beefed up its controls in 1992, a move that should ensure that only approved simulations are developed and purchased.

**Household Goods:**

**Packing and Containerization Contract at Fort George G. Meade, Md.**

GAO/NSIAD-93-224, Aug. 23 (16 pages).

An unsuccessful bidder questioned Fort Meade's decision to continue using the winning contractor to pack, crate, ship, and store personal property belonging to military personnel after learning that the contractor may have lacked necessary Interstate Commerce Commission operating authorization. Although the winning bidder's operating authorization was later vacated by a court order, GAO concludes that the Fort Meade award was neither wrong nor otherwise improper.

**Army Materiel Command:**

**Providing Early Retirement Incentives in 1990 Could Have Saved Money**

GAO/NSIAD-93-233, Aug. 24 (12 pages).

In a December 1992 report (GAO/NSIAD-93-28BR), GAO discussed the responses of employees at the Army Materiel Command to 10 hypothetical early retirement incentives and the increased rate at which the employees might have left under each of the incentives. This report estimates the changes in government costs that would have resulted from implementing each of the initiatives. It also estimates the effect that each of the incentives would have had on offsetting voluntary separations at the Army Materiel Command had it pursued its initial 10-percent force reduction goal.

**Naval Aviation:**

**Consider All Alternatives Before Proceeding With the F/A-18E/F**

GAO/NSIAD-93-144, Aug. 27 (12 pages).

GAO believes that the decision to develop the F/A-18E/F was premature. The aircraft was not justified to counter a specific military threat that could not be met with current capabilities. Instead, the main reason for developing the F/A-18E/F was to have available an aircraft large enough to



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carry improved weapons and electronic systems that were expected to become available in the future. Even assuming a valid military threat, the Navy made no analysis to determine whether the threat could be met by changing tactics or strategy or by using weapons systems in the inventory of another military service. Further, pursuing F/A-18E/F development at this time may preclude consideration of other viable ways to accomplish the mission. In this time of changing military threats and shrinking defense budgets, the Navy, in justifying the F/A-18E/F, should have gone beyond a mere attempt to show which fixed-wing aircraft would be most desirable.

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## Natural Resources

### **Arctic National Wildlife Refuge:**

#### **An Assessment of Interior's Estimate of an Economically Viable Oil Field**

GAO/RCED-93-130, July 9 (31 pages).

Although no one really knows how much oil may be in Alaska's Arctic National Wildlife Refuge, the Interior Department's oil reserve estimates relied on the best available geologic and geophysical information short of actual drilling data from the refuge. Overall, GAO agrees with Interior that the refuge's coastal plain may contain substantial quantities of oil. This conclusion, however, does not take into account uncertainties in a field's development potential that could arise from variations in future oil prices or costs. Given the uncertainties of future economic variables, such as oil prices and discount rates, GAO believes that Interior should have developed ranges of minimum economic field size estimates for each prospect and then run its model using the derived field sizes. This would have yielded a greater range of values to account for the uncertainty associated with estimating what constitutes an economically viable oil field in the refuge.

### **Endangered Species:**

#### **Factors Associated With Delayed Listing Decisions**

GAO/RCED-93-152, Aug. 5 (41 pages).

Delays by the Fish and Wildlife Service (FWS) in listing six species as either threatened or endangered were due to several factors, the most common of which were FWS concerns about the sufficiency of biological data and concerns about potential economic and other impacts. GAO found that the conservation agreements for the Bruneau Hot Springsnail and the Jemez Mountains salamander were inconsistent with FWS policy and guidance.

Whether a conservation agreement is an appropriate means of protecting species that would otherwise warrant listing is a decision for FWS to make. On the basis of its findings, however, GAO concludes that a conservation agreement, if it is to be an effective alternative to listing, should (1) address known threats to a species that would otherwise warrant listing, (2) provide for monitoring to ensure that the agreement's mechanisms for protecting the species are properly and fully implemented, and (3) be implemented in a timely manner.

**Oil Spill Prevention:  
Progress Made in Developing Alaska Demonstration Projects**

GAO/RCED-93-178, Aug. 5 (33 pages).

In the wake of the 1989 Exxon Valdez oil spill, Congress established demonstration programs to spur local citizen oversight of oil and tanker operations in Prince William Sound and Cook Inlet. A citizen advisory council funded by the oil industry was set up at each location to monitor the environmental impact of crude oil transport. In GAO's view, the demonstration programs produced many positive changes, significantly boosting citizen participation in environmental oversight. The programs have yet to evolve, however, into the effective citizen-industry-government partnership that Congress initially envisioned. Early disagreements, along with continuing dissension and mistrust, have slowed the development of the partnerships and have limited further improvements to environmental oversight and safety. In addition, participation by a key federal agency—the Environmental Protection Agency—is still lacking in one of the councils. Recent steps taken to improve the partnership are encouraging and should improve relations among the councils, industry, and government. It is premature, however, to conclude that communication and trust will improve to the point that the long-term success of the programs is ensured. If the programs are successful, they could serve as useful models for further program expansion. Periodic reports to Congress on the model programs' status, however, are not required.

**Natural Resources Restoration:  
Use of Exxon Valdez Oil Spill Settlement Funds**

GAO/RCED-93-206BR, Aug. 20 (34 pages).

Under the civil settlement stemming from the 1989 grounding of the supertanker Exxon Valdez—the largest oil spill in U.S. history—Exxon agreed to pay a total of \$900 million in 11 annual payments. Under the criminal settlement, Exxon was fined \$150 million and required to pay \$50 million each to the federal government and the state of Alaska to help restore areas damaged by the spill. This briefing report provides information on the amount and distribution of money that Exxon has paid through December 1992 under the settlements. GAO also discusses issues surrounding the functioning of the Trustee Council, which was created to coordinate damage assessments and to seek funds from responsible parties to clean up natural resources. GAO concludes that Alaska and federal trustees managing the oil spill settlement funds will have to address several issues before there can be confidence that the money is being spent for natural resources restoration and other intended purposes.

**Clean Water Act:  
Private Property Takings Claims as a Result of the Section  
404 Program**

GAO/RCED-93-176FS, Aug. 11 (20 pages).

This fact sheet identifies private property takings claims that have been filed with the U.S. Court of Federal Claims as a result of regulatory actions taken under the Clean Water Act. GAO also provides information on the actual and potential liability of the U.S. government—including the amounts of the claims, interest, and attorneys' fees and other litigation costs—and on federal agencies' costs in litigating these claims.

**Water Resources:  
Factors That Lead to Successful Cost Sharing in Corps Projects**

GAO/RCED-93-114, Aug. 12 (40 pages).

The U.S. Army Corps of Engineers is required to develop a cost-sharing partnership with local sponsors of water projects that provide flood control, water supply, hydroelectric power, and recreation. The sponsors are generally local and state governments or other government groups, such as flood control districts or port authorities. GAO surveyed sponsors and found that the following three factors contributed most significantly to a successful relationship: (1) good communications between the Corps and the sponsor, (2) the sponsor's significant involvement in decisions and activities, and (3) the Corps' responses to the sponsor's concerns about

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cost-sharing agreements. Sponsors were concerned about their inability to pay their share of study or project costs. The inability to pay generally related to flood control/damage projects in the Dallas and Chicago regions. The sponsors' other main concern involved changes in the cost-sharing agreements at different Corps review levels.

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## Testimony

Mineral Resources: Hardrock Mining Reclamation, by James Duffus III, Director of Natural Resources Management Issues, before the Subcommittee on Energy and Mineral Resources and before the Subcommittee on Oversight and Investigations, House Committee on Natural Resources. GAO/T-RCED-93-67, Aug. 5 (eight pages).

More than five years ago, GAO reported that it would cost nearly \$300 million to reclaim abandoned, suspended, or unauthorized hardrock mining operations on federal land in 11 western states; cleanup estimates since then have ranged as high as \$71.5 billion. No federal program or funding sources now exists to ensure that past hardrock reclamation problems on government and private land are remedied. Accordingly, any public policy decision on how best to address these reclamation needs will have to carefully consider the workability of such a program and the source of funding.

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## Science, Space, and Technology

### **NASA Aeronautics: Protecting Sensitive Technology**

GAO/NSIAD-93-201, Aug. 12 (15 pages).

Most of NASA's scientific and technical aeronautics publications are publicly available. The distribution of a few publications is restricted, depending on the kind of competitively sensitive information they contain. NASA sometimes interprets Freedom of Information Act requirements strictly to deny requests for information. NASA also broadly construes the concept of national security under the Arms Export Control Act to cover competitive sensitivity and recommends amendment or denial of export license applications. GAO did not find enough information to support the view that NASA's competitively sensitive information is being widely transferred to foreign competitors. NASA is trying to beef up its information control program. It is developing and implementing specific processes to identify and handle competitively sensitive information. It has also begun to establish an overall aeronautics technology transfer policy on the

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identification and handling as well as the measurement and tracking of competitively sensitive technologies.

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## Social Services

### **Self-Sufficiency: Opportunities and Disincentives on the Road to Economic Independence**

GAO/HRD-83-23, Aug. 6 (80 pages).

The Family Self-Sufficiency Program, a partnership between the federal government and local public housing authorities, promotes local strategies to help poor families achieve economic independence and self-sufficiency. This report (1) examines how housing and social services policies affect beneficiaries when they land a job and increase their income and (2) analyzes the extent to which the law creates disincentives to upward income mobility. GAO concludes that training and supported work programs have successfully increased the earning of the economically disadvantaged who participate in them, but on average the earnings increases are not enough for a family to break free from all housing and public assistance programs.

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## Transportation

### **Railroad Safety: Human Factor Accidents and Issues Affecting Engineer Work Schedules**

GAO/RCED-93-160BR, July 1 (30 pages).

The Hours of Service Act, created in 1907 to improve railroad safety, limits the number of hours that railroad employees, including engineers, may work. This briefing report updates a 1992 GAO study (GAO/RCED-92-133) on how the legislation has affected railroad engineers and safety. GAO reviews accidents and work schedules more extensively, discussing (1) how the timing and frequency of human-factor accidents occurring on yard tracks differ from those on mainline tracks; (2) how accident rates differ depending on the kind of shift, the time of day, the hour of the shift, and the shift's start time variability; (3) how work schedule characteristics differ between shifts worked by engineers who had accidents and shifts worked by all engineers; and (4) how the mechanism for notifying train crews to come to work affects the ability of engineers to predict their next work shift.

**Airline Competition:  
Higher Fares and Less Competition Continue at Concentrated  
Airports**

GAO/RCED-93-171, July 15 (44 pages).

In a 1990 report (GAO/RCED-90-102), GAO observed that passengers paid substantially higher fares at major airports where only one or two airlines provided most of the service. Since then, Pan Am, Braniff, and Midway have gone out of business, and other airlines are operating under bankruptcy protection. The worsening financial condition of the airline industry could still further dampen competition, boosting fares even higher and reducing service at airports with little competition. This report revisits the effects of market dominance on fares and service at major airports. GAO (1) compares fares at major airports served primarily by one or two airlines with fares at airports with more competition, (2) assesses factors other than market dominance that could explain any differences in fares, (3) points out changes in airport concentration since its last report, and (4) assesses changes in the level of service at airports dominated by one or two airlines.

**Urban Transportation:  
Reducing Vehicle Emissions With Transportation Control Measures**

GAO/RCED-93-169, Aug. 3 (44 pages).

Motor vehicles are the main source of air pollution in many cities. Excessive levels of ozone and carbon monoxide in these areas have been linked to a variety of illnesses, including lung and heart disease. This report examines the use of transportation control measures (TCM) by states and localities to control vehicle emissions. TCMS range from traditional approaches, such as improving commuter train service and promoting employer-provided carpooling, to economic measures, such as imposing gas taxes and emission fees. GAO concludes that although TCMS should cut overall emissions by less than five percent, they can complement other programs designed to address pollution problems in areas that have not met federal air quality standards. Moreover, the additional reductions in emissions resulting from traditional TCM programs may help localities meet the standards mandated in the Clean Air Act Amendments of 1990. Pricing measures would be more effective in reducing air pollution but would also encounter greater opposition because of their direct costs to the traveling public. Regardless of the

kinds of TCMS that states and localities implement, more research on their effectiveness is clearly needed.

**Urban Transportation:  
Issues Related to the South Corridor Study**

GAO/RCED-93-195BR, Aug. 6 (20 pages).

This briefing report reviews efforts by the Chicago Regional Transportation Authority to assess public transportation in an area known as the South Corridor. Concerns had been raised that the alternatives being considered could cause economic harm to area businesses and residents. GAO discusses the (1) process that study participants used to develop alternatives for "rationalizing" transit service in the study area, (2) degree to which the public participated in decision-making, and (3) projected time frames for implementing alternatives that would expand or eliminate existing service in the study area.

**Transportation and Telecommunications Reports and Testimony:  
May 1992 - April 1993**

GAO/RCED-93-187, Aug. 1993 (110 pages).

This index summarizes 167 GAO products—reports, testimony, and letters—on transportation and telecommunications topics that were issued from May 1992 through April 1993. The summaries are grouped under 11 issue areas: aviation safety, airport and airway system improvement, surface transportation safety, surface transportation infrastructure, transportation-related competition and consumer protection, Coast Guard and Maritime Administration efficiency and effectiveness, cross-modal budget/financial management issues, Panama Canal Commission, telecommunications, other related subjects, and special publications. Order forms are included to obtain publications that are of interest.

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**Veterans Affairs**

**VA Health Care:  
Comparison of VA Benefits With Other Public and  
Private Programs**

GAO/HRD-93-94, July 29 (83 pages).

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Because of the growth of public and private health insurance programs, most veterans now have coverage under multiple health care programs. These programs differ, however, in terms of the criteria used to establish eligibility, the services covered, the limited placed on the availability of those services, and the cost sharing between the program and its participants. This report (1) compares the health care benefits available under major public and private programs and (2) analyzes the potential effects of existing benefit differences on veterans' use of the Department of Veterans Affairs' health care system.



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